Revenue Properties Company Limited / Annual Report 1967

Revenue Properties Company Limited
and its subsidiaries*

Annual Report 1967

Contents

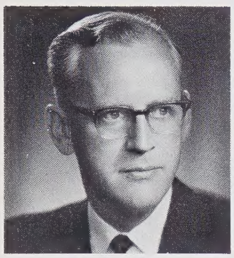
*The main operating subsidiaries are:

The Rubin Corporation Limited
(wholly owned subsidiary)

Urban Properties Inc.
(U.S.A. subsidiary)


A. J. RUBIN


H. RUBIN


J. R. CAMPBELL Q.C.

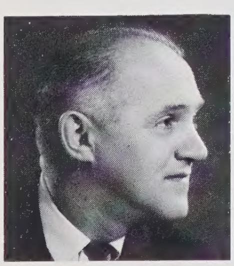

B. DEVOR


DR. H. FROST


S. GODFRID Q.C.


L. KROHN


R. K. McCONNELL


R. C. STONE


W. P. WALKER O.B.E.

DIRECTORS

ALEX J. RUBIN
Chairman and President, Revenue Properties Company Limited, Resident Toronto.

HARRY RUBIN
Executive Vice-President, Revenue Properties Company Limited, Resident Toronto.

JOHN R. CAMPBELL, Q.C.
Partner, Campbell & Rogers, Resident Toronto.

BERKO DEVOR
Senior Vice-President, Revenue Properties Company Limited, Resident Toronto.

HELMUT FROST
General Manager of Bankhaus Friedrick Simon K. Ga A, President of Minerva Transcanada Investments Limited Toronto, President Five Oaks Holdings Limited, Toronto, Member of the Board of Directors of F. K. Schattauer — Verlag, Stuttgart — New York. Resident Dusseldorf, Germany.

SAMUEL GOTFRID, Q.C.
Partner, Gotfrid, Burnett & Kelner. Resident Toronto.

LEWIS KROHN
Associate, Wertheim & Co.; Director Southwest Factories Inc., Oklahoma; The Knapp Monarch Corp., St. Louis. Resident New York.

ROBERT K. McCONNELL
President, McConnell & Company Limited, Director, Canadian Vickers Ltd., The Metropolitan Trust Company. Resident Toronto.

ROBERT C. STONE
Director and Financial Analyst, F. H. Deacon and Company, Director, Pension Mutual Fund Limited, Harvard Growth Fund Limited. Resident Toronto.

WILLIAM P. WALKER, O.B.E.
President, Mindustrial Corp. Ltd., Director, The Canadian Imperial Bank of Commerce, Consumers Glass Co. Ltd., The Great West Life Assurance Co., York Knitting Mills Ltd. Resident Toronto.

OFFICERS

ALEX J. RUBIN, President and Chairman of the Board.
HARRY RUBIN, Executive Vice-President and Treasurer.
BERKO DEVOR, Senior Vice-President and Assistant-Secretary.
PETER E. BASTEDO, Vice-President.
ROBERT A. F. SUTHERLAND, Secretary.
GEORGE COLEMAN, Comptroller.
SARA TUBERMAN, Assistant-Treasurer.

AUDITORS

Touche, Ross, Bailey & Smart.
Perlmutter, Orenstein, Giddens, Newman & Kofman.

COMMON STOCK

Transfer Agent: National Trust Company, Limited.
Registrar: National Trust Company, Limited.

PREFERRED STOCK

Transfer Agent: National Trust Company, Limited.
Registrar: National Trust Company, Limited.

DEBENTURES

Trustee: The Royal Trust Company.

HEAD OFFICE

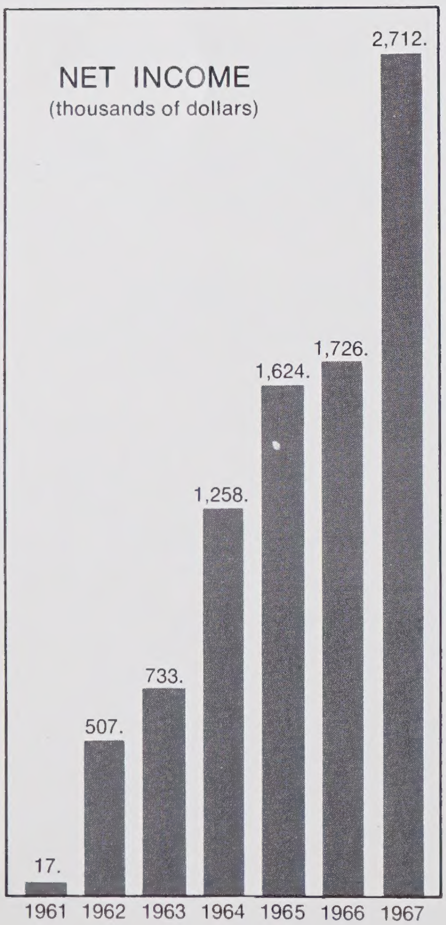
12 Sheppard Street, Toronto 1, Canada.

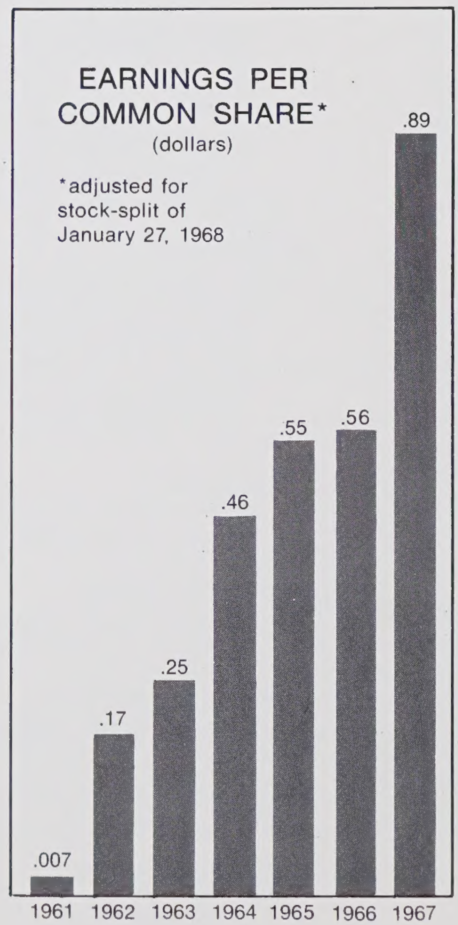
Financial Highlights

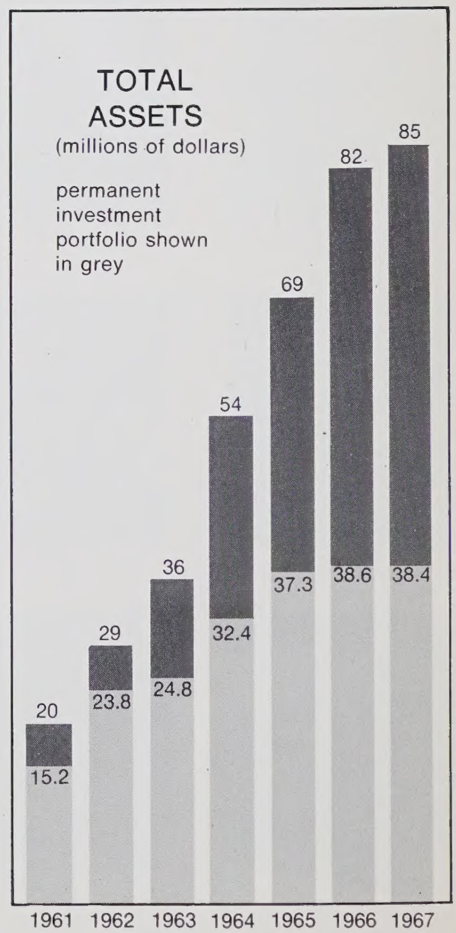
	Percentage Increase	1967	1966
Sales of Lands and Buildings	90%	$49,037,521	$25,782,248
Net Income	57%	$ 2,712,105	$ 1,725,747
Earnings per Common Share*	58%	89¢	56¢
Quarterly Dividends per Common Share*	50%	15¢	10¢
Total Assets	3%	$85,184,666	$82,404,952

*Adjusted for two-for-one Stock Split, January 27, 1968.

7 years of continuous growth



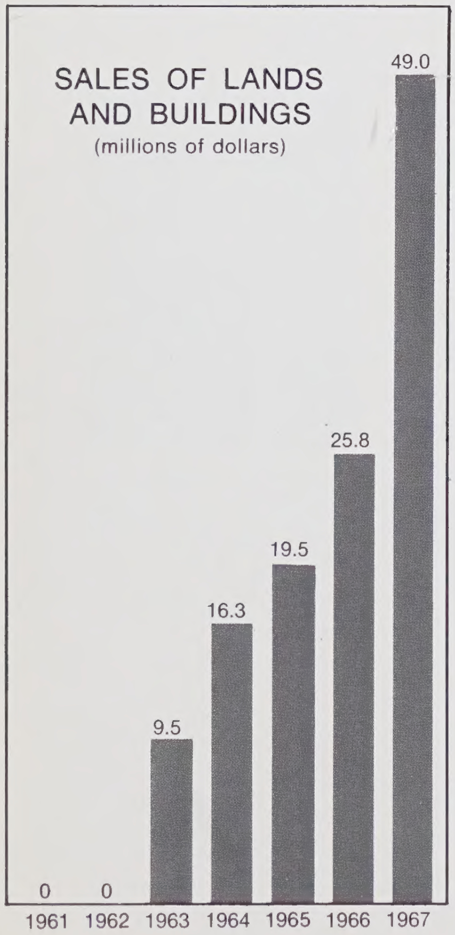




Report to the shareholders

It is a pleasure to report that your Company continued to make satisfactory progress during 1967. Consolidated net earnings for the year ended December 31, 1967 were $2,712,105 as compared to $1,725,747 in 1966. After provision for dividends on preference shares totalling $224,070, net earnings amounted to $2,488,035, equivalent to 89¢ per common share, up from 56¢ per common share the previous year, an increase of 58%. Per share figures have been adjusted for the 2 for 1 split which became effective January 27, 1968.

The financial highlights for the year are outlined on page 2 of this report and detailed in the financial statements.



Your Company's operations now comprise the following six divisions:

- Land Development Division
- Sales Housing Division
- Social Housing Division
- Rental Housing Division
- Industrial Division
- Urban Properties (U.S.A. subsidiary)

These are reviewed and summarized in the section starting on page 6 titled Review of Operations.

In the next 35 years there will be as much real estate constructed on the North American continent as exists in total today. This job cannot be performed effectively by a fractionalized, relatively inefficient, North American building industry as it now exists. The scale of current and projected demand favours the formation of real estate development organizations that combine the developer's specialized knowledge and skills with major industry's financial strength and management techniques. Revenue Properties recognized the enormous potential of this industry several years ago and prepared the groundwork for its evolution to a major real estate development company.

The Rubin Corporation, Revenue Properties' wholly owned subsidiary can best be described as a "real estate packager". In this creative function the Company takes full responsibility for all aspects of a real estate project. The "package approach" in real estate, has proven to be the most effective method of operation

The housing crisis in Canada and the United States has received a great deal of publicity and has been the subject of discussion at every level of government. This entire area of social housing which includes housing for senior citizens, students and modest income families, represents an area of basic need. Serving this need carries with it the satisfaction that your Company is contributing to a better society.

Revenue Properties was among the first to offer its services in the development of housing for modest income families in Ontario and through its subsidiary Urban Properties Inc. has established itself as one of the leaders in this field in the United States.

It is worth noting that because of the lead time required for real estate development, ranging from two to five years, the first five years of the Company's operations involved a great deal of effort which was not immediately translatable into profits. During the period 1962-1966, land was acquired and rezoned, pilot projects were built, new areas of operations were explored, the organization was strengthened and an increasing volume of work was undertaken. During 1967, the result of these efforts began to be partially reflected in higher earnings, which trend is expected to continue as the different new divisions and areas added to your Company's operations grow to their full profit momentum. Through our continuing program of research into new areas, and the strengthening of our position in those fields that experience has shown to be the most rewarding we will continue to emphasize your Company's policy of diversification.

I wish to express my appreciation to all those associated with the activities of the Company for their devotion and hard work. It is their effort which has made Revenue Properties a leader in its field.

Respectfully submitted,

Alex J. Rubin

Alex J. Rubin
President and Chairman of the Board
Toronto, April 15th, 1968.

The Management Team

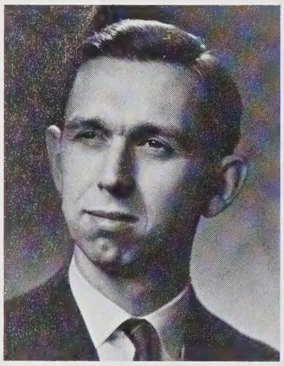
The key to the Company's success has been the development of management in depth. A policy of intensive training, prompt recognition of achievement and the recruitment of talented entrepreneurs is constantly being pursued.

ALEX J. RUBIN
President, Chairman of the Board, and Director. Age, 45 years; B.Sc., Chemical Engineering; real estate developer for 15 years. Major function: Chief Executive Officer and supervises overall policy.

HARRY RUBIN
Executive Vice-President, Treasurer and Director. Age 43 years: B.Sc., University of Alberta; post graduate work in applied mathematics and aerodynamics at Johns Hopkins University and the University of Toronto; real estate developer for 15 years. Major function: overall supervision of Corporate, Financial and Marketing; guides overall policy.

BERKO DEVOR
Senior Vice-President, Assistant Secretary and Director. Age, 42 years; B. Comm., member of Law Society of Upper Canada; 6 years with Company; prior experience includes 6 years with the Company's legal counsel. Major Function: Managing Director, supervision of overall policy, heads legal department.

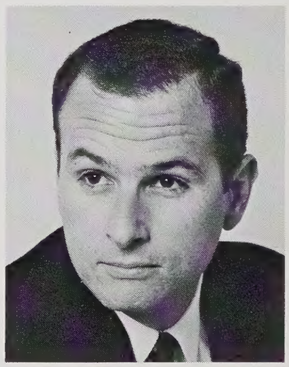
SEYMOUR BASKIN
Managing Director, Urban Properties Inc. U.S.A. Age; 42 years; B.A., L.L.B.; 5 years with the company; prior experience as counsel for developers in various government housing programs and consultant for government; also wide experience in mortgage financing and re-development. Major function; Managing Director of Urban Properties Inc. U.S.A.



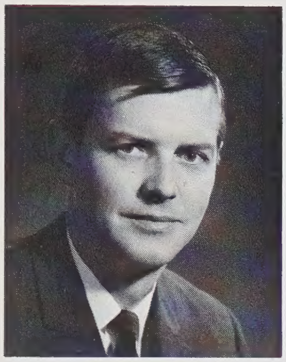
ROGER A. CUNNINGTON
Land Development Manager. Age, 33 years; previously Development Co-ordinator for the Metropolitan Toronto Region Conservation Authority and Subdivision Administrator with the Planning Department of the Borough of North York. Major function: planning and supervision of land development projects.

REID DOWNEY
Vice-President, Rubin Corporation. Age, 54 years; 8 years with the company; prior to that wide experience in construction material sales. Major function: in charge of industrial sales in Toronto.

HERBERT M. GREEN
Vice-President, Rubin Corporation. Age, 32 years; B.Sc., Civil Engineering; 5 years with the company; prior experience as a private land developer and house builder. Major function: heads Land Development Division.



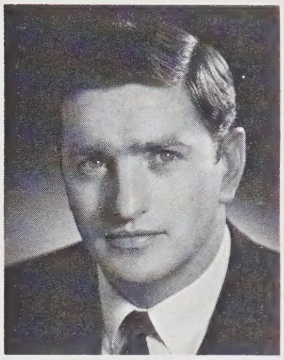
MERVYN E. KIRSHNER
Vice-President, Rubin Industrial Development Corporation U.S.A., Age, 31 years; 8 years prior experience in industrial development, sales and administration. Major function: in charge of Industrial Division in Los Angeles.



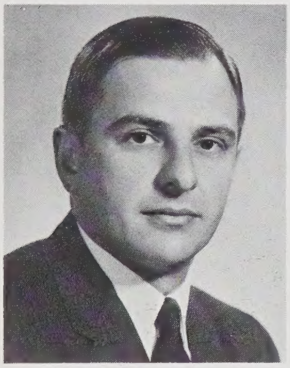
PETER BASTEDO
Vice-President. Age, 43 years; M.A.I.; 3 years with the company: previously with Manufacturers Life and Montreal Trust Company for 17 years in real estate, mortgages, financing and developing capacities. Major function: planning and supervision of residential and commercial projects.

DONALD BROWN
Age, 30 years; 5 years with the company; 4 years prior experience as general contractor. Major function: planning and supervision of residential projects.

GEORGE COLEMAN
Comptroller. Age, 33 years; C.A.; 4 years with the Company; 4 years prior experience in real estate and manufacturing accounting. Major function: Comptroller and head of Accounting Department.



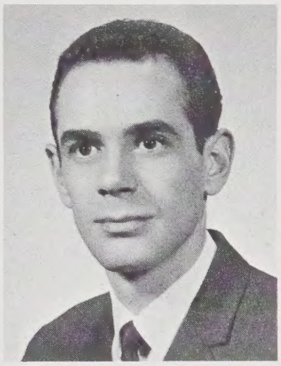
SAMUEL A. CRAIG
Vice-President, Rubin Corporation. Age, 33 years; F.R.I.;10 years with the Company; prior to that in real estate appraisal and management. Major function: heads Industrial Division.



MYER S. LEVINE
Vice-President; Age 35 years; B.A., L.L.B.; previously partner in law firm acting as counsel for property development companies. Major function: co-ordinates legal activities of the Company.

LAWRENCE G. LIVESAY
Age, 50 years; 4 years with the company; previously house builder and designer. Major function: heads up Sale Housing Division.

SARA TUBERMAN
Assistant-Treasurer of Revenue Properties and Assistant-Secretary of the Rubin Corporation; 15 years with the company. Major function: Special Financial Assistant to Harry Rubin and Berko Devor.



MICHAEL WRIGHT
Vice-President, Rubin Corporation. Age, 30 years; 3 years with the company; prior to that 5 years in the construction field as an estimator and superintendant. Major function: in charge of Industrial Division in Montreal.

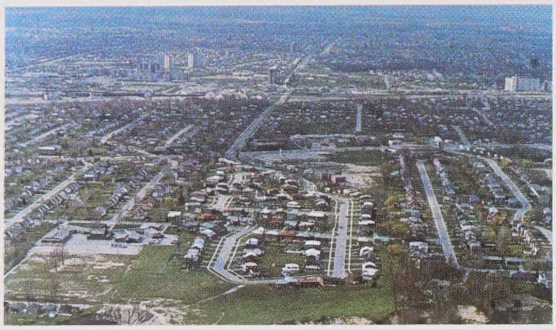
Review of Operations

General

The Company is one of Canada's leading real estate developers. As such it is a well-balanced diversified entity operating in several important regions in Canada and the United States. Its operations now extend to encompass most of the important areas of real estate development.

During the earlier years of its 15 year history, activities were concentrated in industrial construction and rental housing. In 1961 the Company embarked upon a research and development phase in four other areas of real estate activity. It was not until 1967 that these new activities began to generate a significant profit momentum. It is expected that they will attain more important proportions over the next decade.

The Company's ability to control relatively extensive land inventories, without incurring undue exposure to risk, is due to financial syndications and land options available to it because of its reputation as a responsible and imaginative developer. The Company in this way, is able to control a substantial amount of land for development purposes with a minimum of liability exposure.



Completed land development and housing project.
Acton, Ontario, housing project now being marketed.
The management team headed by Alex Rubin.

The Colonnade, a downtown Toronto shopping and residential complex.
Don Valley Woods, awarded two Massey Medals by the Massey Foundation.

Summary

In general, the Company's business can be described as the development of a wide variety of complete real estate packages. These activities range from the purchase and subsequent development of land to the construction, financing and ultimate retention for portfolio or the sale of the completed buildings. Operations are divided among the following six divisions:

(I) Land Development Division

Subdividing and processing raw land into improved lots for sale to other builders.

(II) Sale Housing Division

Building and marketing single family housing for the private market.

(III) Social Housing Division

Developing housing for senior citizens, students and low and moderate income families under special Government sponsored programs.

(IV) Rental Housing Division

Developing apartments and town houses for the private rental market. Projects are subsequently sold to investors or retained by the Company for its permanent investment portfolio.

(V) Industrial Division

Developing Industrial Parks and providing a "Package Plan" for erecting industrial buildings on a lease or a contract basis. The leased buildings are either sold or retained for the Company's permanent investment portfolio.

(VI) Urban Properties Inc. (U.S.A. Subsidiary)

Developing, in the U.S.A., housing projects under special Government sponsored programs.

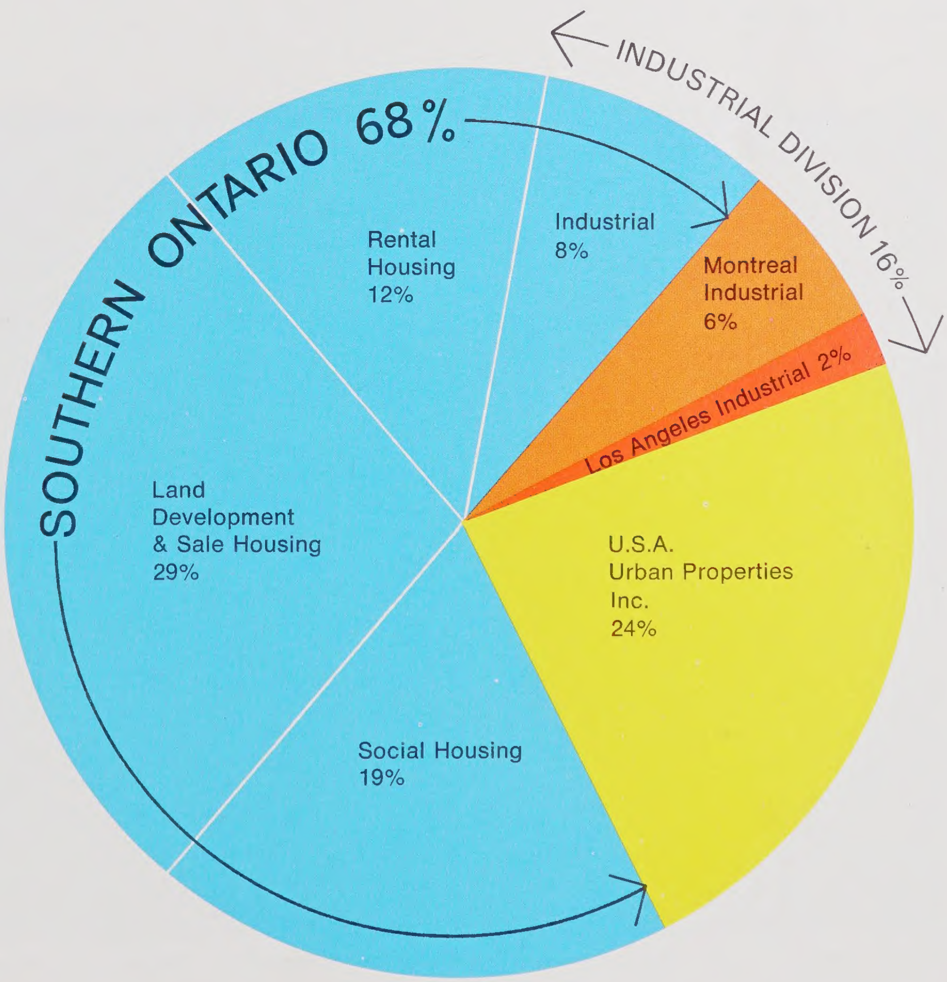
The Company's activities are diversified to a degree that is unusual in this industry. Such diversification is clearly a basic strength in that it provides a reasonable degree of protection against the vicissitudes of any single phase of real estate activity. It permits periodic changes in emphasis to those activities which may then offer the most profitable opportunities.

As to the relative importance of any one of the Company's activities, the Industrial Division has, until recently, been the most profitable. However, the Land Development Division and the Social Housing Division have now become the most important areas for current earnings as well as earnings potential. The U.S. operation, (Urban Properties) which has not yet contributed to profits, shows promise of becoming one of the Company's most active divisions over the next few years.

The major part of the Revenue Properties Company Limited operations are centered in the Metropolitan Toronto area which has the largest volume of construction on a per capita basis of any city in the world. On a total volume basis it is exceeded only by the Metropolitan areas of New York and Los Angeles. The Company's Industrial Division is also active in Montreal and Los Angeles, while its U.S. Housing Division through Urban Properties is active along the eastern seaboard.

Distribution of Activities

Projects currently in hand and under development represent a value of $255,000,000 upon completion.



Land Development Division

This division acquires raw acreage, and subsequently improves these lands with roads, water and sewers. The land is then subdivided into lots for sale to builders or for use by the Company's Sale Housing Division.

Packaged Lots

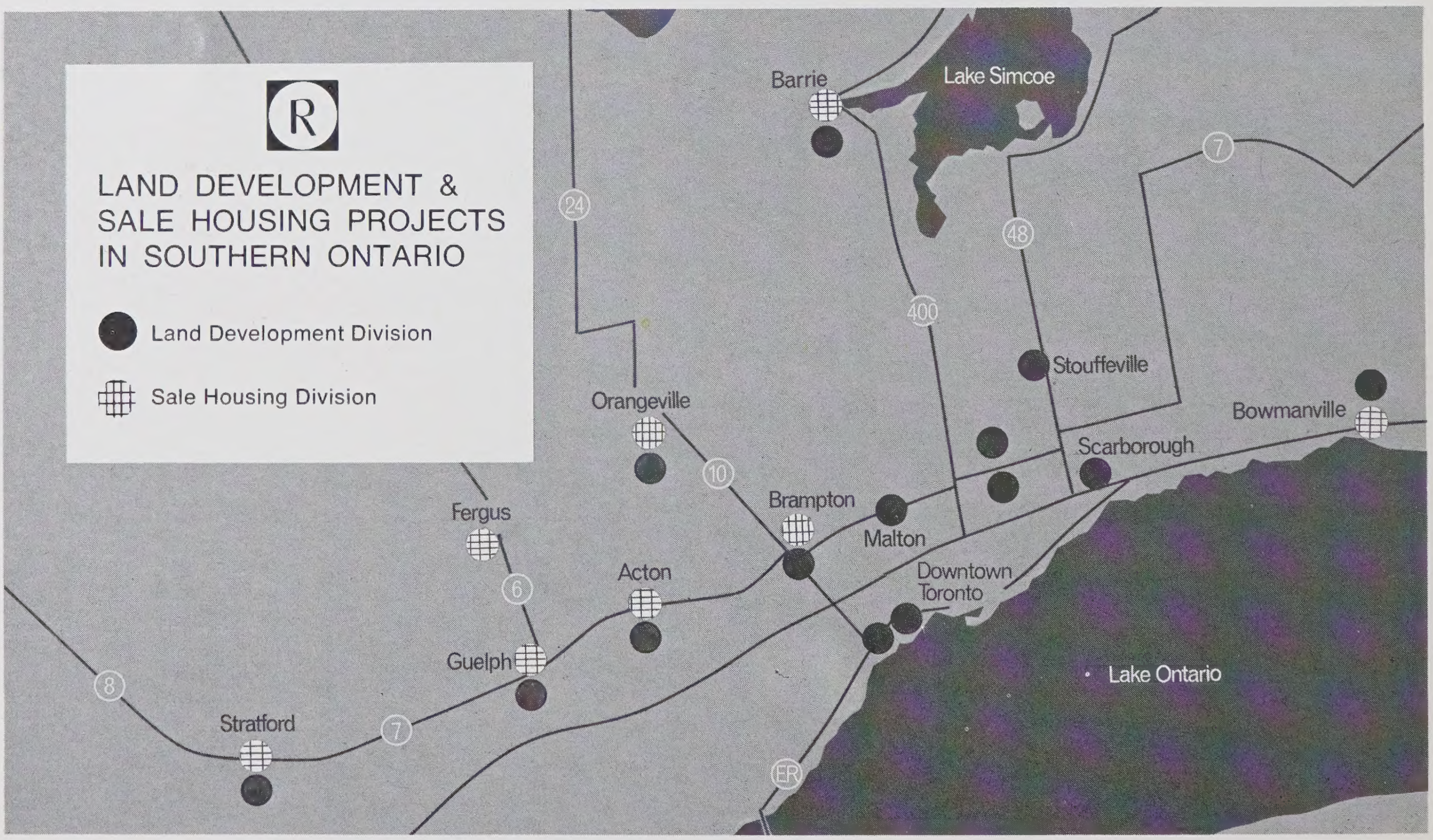
In order to expedite the sale of the developed lots, the Company, using its own construction crews and marketing facilities, generally builds and sells the first group of houses. Often the Company will assist other builders by supplying house designs and arranging first mortgages. Thus instead of merely selling a serviced lot, the Company sells a "packaged lot".

Financial Partnerships

The Company is able to minimize its risk and cash outlay on land acquired for other than immediate development by partnership arrangements with financial groups. The financial partners, for a share in the profits, supply all financing for periods ranging up to 10 years.

Market Areas

The Company enjoys important advantages in its land development operations. Among these, the most important is that as a major industrial builder, the Company is welcome in most communities that require industry as a tax base to balance residential construction. The Policy of the Company is to avoid too high a concentration of land in any one area. Instead of owning outright 2,194 acres in one location which might take many years to develop, the Company has 2,194 acres under its control in thirteen different market areas, making it feasible to turn most of the land inventory over in approximately three years. The Company is continually searching out and examining additional development opportunities.
The list of projects on page 24 details the land inventory presently under development. See map for locations.



Southern Ontario: A total of 2,194 acres are being developed in 13 separate market areas.

Sale Housing Division

Most of the Company's house building activity is concentrated in smaller communities outside the Metropolitan Toronto Planning Area.

Selected Sites

Each community is carefully selected for its proximity to a concentrated industrial area, or to be within easy commuting distance of Toronto. Wherever possible the company locates its developments adjacent to lakes, rivers, or other attractive natural features. These communities usually lack experienced developers of their own, and the Company receives the fullest co-operation of the municipalities.

Lower Costs

In the communities selected, the modest cost of serviced land enables Revenue Properties to deliver good housing at a much lower price than if the land were in a major metropolitan centre. The resulting lower down payment enlarges the market to include families of more modest income.

Prefabrication

Another important factor in the selection of these communities is the absence of excessively restrictive building by-laws so that the Company has been able to design a range of houses which are partially prefabricated in one location and delivered to building sites across Southern Ontario.

The map on the opposite page shows the locations in Southern Ontario, under development for family housing. Approximately 200 homes are presently in advanced stages of construction in Acton, Orangeville and Fergus. An additional 200 homes will be started this Spring in Guelph, Barrie, Fergus and Orangeville. In 1969 Stratford and Bowmanville will be added so that the Company will be building houses for sale in seven different communities within commuting distance from Toronto.

A completed street of homes constructed by the Company in Acton, Ontario, now being marketed.

Rental Housing Division

The Company's operations in this area consist of the erection for rent of High Rise Apartment and Town House Developments on suitably located land mainly in the Metropolitan Toronto area. Over the past 10 years the Company has built over 10,000 apartment suites and townhouses.

Garden Communities

Revenue Properties pioneered the development of garden communities in Canada. It has completed three such communities in Metropolitan Toronto comprising over 3,000 units. These communities known as Don Valley Woods, Yorkwoods Village and Braeburn Woods have set a high standard for the entire industry. They have won many awards for outstanding design. Among these are several awards from the Canadian Housing Design Council and the Urban Development Institute. In addition Don Valley Woods has earned two Massey Medals.

Increasing Demand

In view of the sharp increase of family formations during the next decade, the demand for rental housing in Toronto will continue to expand and the Company will carefully assess the opportunities presented in this area.

The list on page 24 cites projects in this division presently under construction or being readied for development. Locations are shown on the map on the back cover fold-out.

Citadel Village, winner of the Canadian Housing Design Council's Centennial Award, and the Urban Development Institutes Centennial Award for Multiple Housing.

Citadel Manor, a unique apartment building, designed to compliment the townhouse development of Citadel Village.

Social Housing Division

The Role of Government

With the increasing costs of producing housing, there is a large segment of the population that cannot afford to pay an economic rental. The government has recognized this problem and is assuming more and more responsibility through various well conceived programs aimed at providing subsidized housing for senior citizens, students and moderate income families. The government has also recognized that the vast volume of such housing required in the near future, needs the participation of private enterprise with its skills and resources.

Current Projects

Several years ago Revenue Properties recognized the potential of this market, and has since developed the organization and the experience, both in Canada and the United States, to qualify as a leader in this field. It has approximately 3,000 such units currently under construction in Canada and proposals submitted and pending with various governmental bodies represent an additional 3,300 units. (See page 24 for list of projects under construction). The location of projects under construction or pending in Metropolitan Toronto are shown on the map on the back cover fold-out.

Province of Quebec

The Company has recently incorporated Société d'Habitation Urbaine Inc. This division, under the direction of Pierre Bouchard and John Ciaccia, will play an important part in developing Social Housing in Quebec. It will have the advantage of the wide experience that Revenue Properties has acquired in this field both in Canada and the United States.

A rendering of the development as it will look upon completion.

The beginnings of a 713 unit student residence now being constructed for the Ontario Student Housing Corporation.

Industrial Division

Industrial building was Revenue Properties first area of real estate activity. Over the past 15 years the Company, and its predecessor organization, have erected approximately 10,000,000 square feet in over 500 industrial buildings for more than 1000 tenants.

"Package Plan"

In the early 1950's the Company was among the first to offer a "Package Plan" for industrial buildings in Canada. This plan includes land, design and construction of the building, with the completed project available on a lease or contract basis.

In addition, the Company builds General Purpose Industrial Buildings in selected locations for lease to prospective tenants. These buildings are completed to the shell stage so that the space can be rapidly finished to the requirements of the tenant.

Industrial Parks

At an early stage, the Company realized that by developing a larger parcel of land it could create a controlled environment in the form of an Industrial Park which would be very attractive to industry. These Industrial Parks are an important feature of the "Package Plan".

The Company controls a total of seven industrial parks in various stages of development in Metropolitan Toronto.

The Company's risk in acquiring land for industrial parks is minimized because, as a result of its reputation in the industrial field, it is often able to obtain desirable land for development on an option basis or with a financial partner who is responsible for all initial cost and carrying charges in exchange for a participation in the development profit.

Montreal

The Company has two industrial parks under development in Montreal and has constructed over 3,000,000 square feet of industrial space in that city over the past 10 years.

Los Angeles

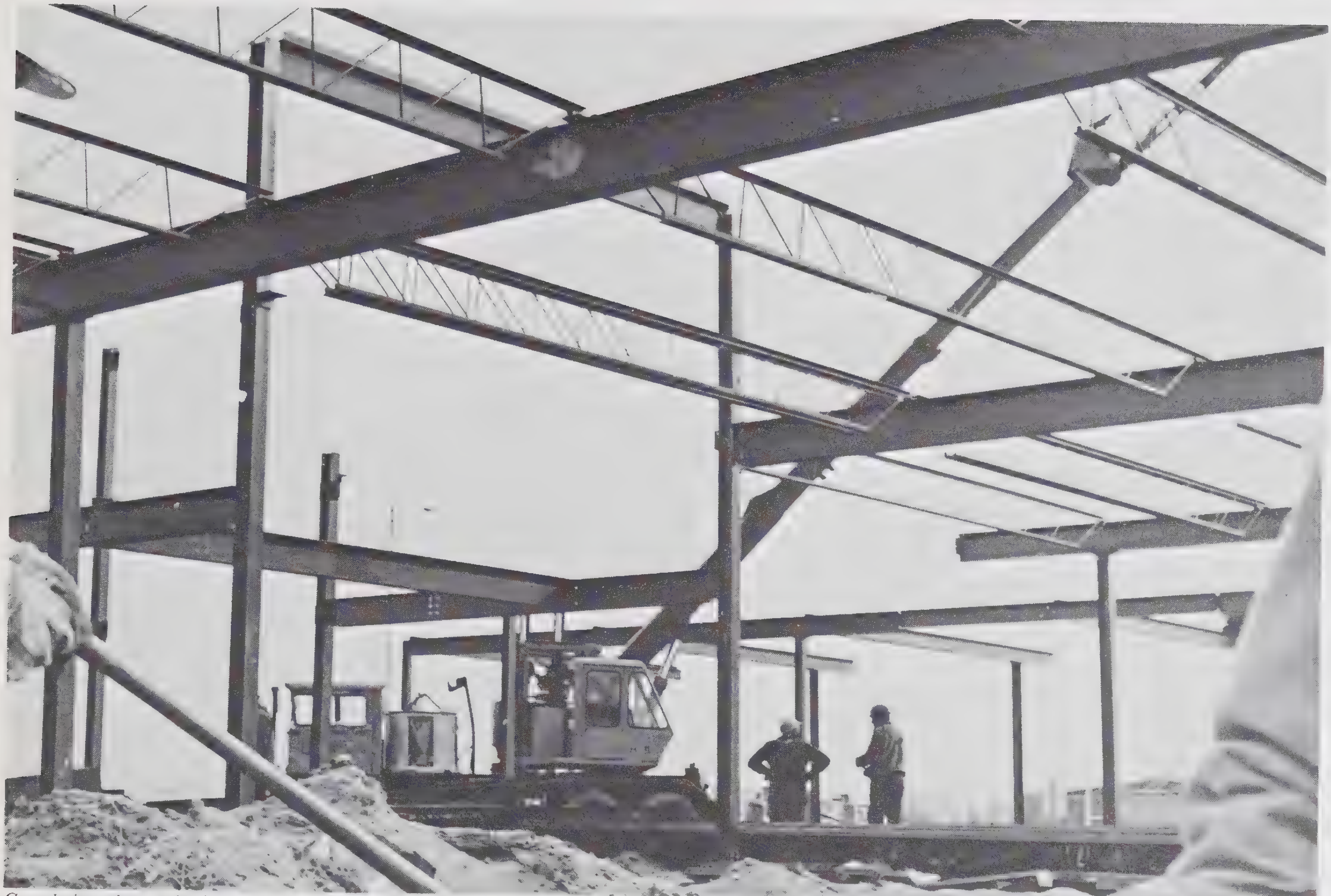
Recently, Revenue Properties, acquired a site for the development of an industrial park in Los Angeles adjacent to the Harbor Freeway near El Segundo Blvd. It is anticipated that Los Angeles will become an important area of activity for the Industrial Division.

The Company's industrial buildings and industrial parks located in Toronto are shown on the map on the back cover fold-out.

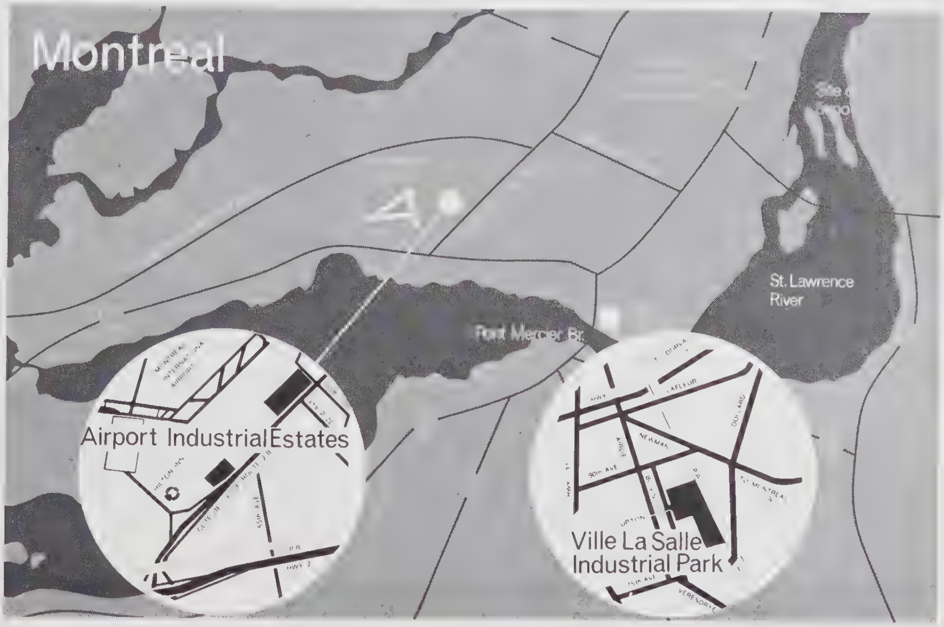
Interesting architecture is an important part of the design of the Company's industrial buildings.

A recently completed building for Johnson & Johnson.

50,000 square feet built for Xerox in Montreal



Completing the steel skeleton of an industrial building at Victoria Industrial Park.



Urban Properties Inc.
U.S.A. Subsidiary

Urban Properties, Inc., the U.S.A. subsidiary of Revenue Properties, began operations in 1963. The first three years represented a period during which the organization was evolved into a highly effective team and a few pilot projects were completed.

Current Projects

Beginning in 1966 activity increased and Urban Properties, at the present time has a program of 11 projects, consisting of approximately 4,000 dwelling units, (plus related commercial development), in 9 cities, amounting to a current value of projects in construction and under development in excess of $65 million. In 1968, over $25 million in project value will be under construction. In 1969 and subsequent years the volume of work should show significant increases above the 1968 level.

Federal Urban Renewal Program

Urban Properties' activities centers principally around the Federal Urban Renewal Program, with emphasis on government-insured and guaranteed housing for low and moderate income families. In some instances, this involves development of projects for others, particularly non-profit corporations; other developments are for Urban Properties' own account, for investment or sale. Federal housing and renewal programs provide high-ratio mortgages, for long terms, at interest rates as low as 3%. This is to insure that the ultimate cost to the consumer is maintained at the lowest possible level.

Activities

Urban Properties is active in Pittsburgh (its home office), Lancaster, McKeesport, Reading and Johnstown, all in Pennsylvania; also in Buffalo, New York; New London, Connecticut; and Columbus, Ohio. From its principal base of operations in Pittsburgh, it intends to expand into other communities, generally within a 250 mile radius. Two aspects of Urban Properties'

Chateau Plaza, Pittsburgh, shopping centre and commercial urban redevelopment project.

Washington Towers, Reading, Pennsylvania, a residential and shopping complex.

program are worth special note. It works, in many instances, in close cooperation with quasi-public and non-profit sponsors for whom it acts as developer and builder. One of its most fruitful relationships in this regard has been its close association with ACTION-Housing, Inc., a private non-profit corporation of Pittsburgh which is nationally known in the housing field. Urban Properties has built, has under construction or in process, four major developments in cooperation with ACTION-Housing, Inc.

In addition, Urban Properties has begun and intends to expand newly-created programs in cooperation with public housing agencies under the "turnkey" process. In this approach, private developers are encouraged to initiate, design, construct, and then convey upon completion, a housing development intended for public housing tenancy and ownership.

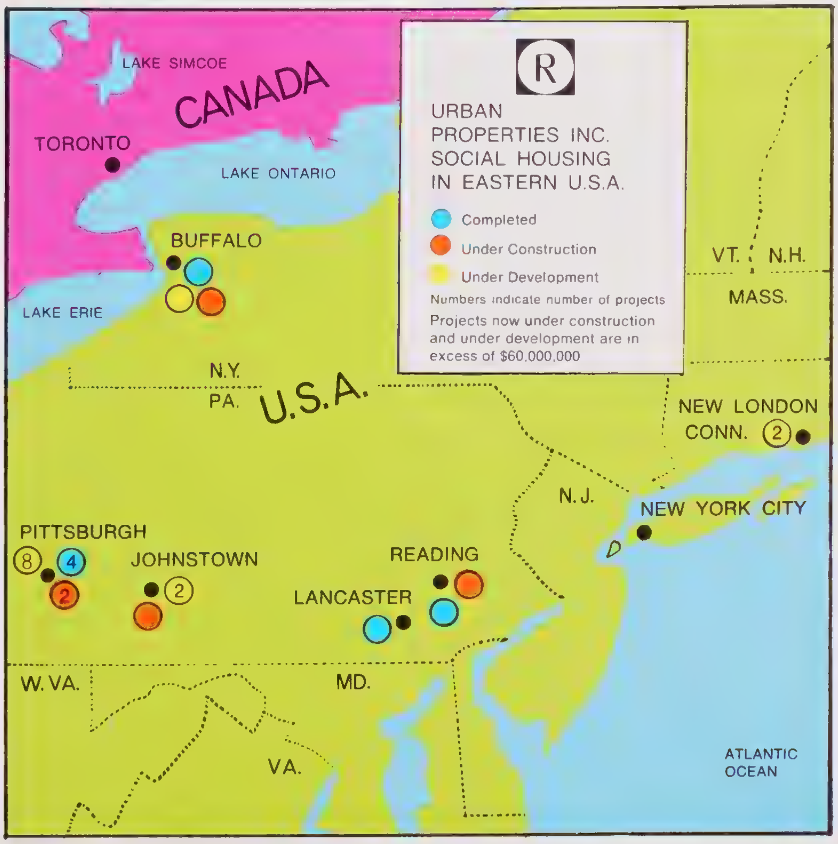
Total Development Approach

By combining various new programs, within and related to the Urban Renewal program, Urban Properties has evolved a total development approach for housing production. These programs include moderate-income housing under Section 221 (d) (3); low-income housing under the "turnkey" and rent supplement programs; and moderate and luxury housing under the Section 220 renewal program. In some instances, related commercial improvements are included in these projects.

The Urban Properties' team is headed by Seymour Baskin, an attorney and nationally recognized housing consultant. Mr. Baskin has represented lenders, developers and builders, as well as non-profit and quasi-public agencies, and has also been a consultant to various major corporations, foundations and to the Federal and various State governments.

Sheridan Park, Pittsburgh, 186 residential units, completed for ACTION-Housing Inc.

East Hills, Pittsburgh, 1000 residential units in four phases. First phase under construction.



Revenue Properties Company Limited and its subsidiaries

Consolidated Balance Sheet

December 31, 1967 with 1966 comparisons

Assets

	1967	1966
Cash and bank deposit certificates	$ 4,505,658	$ 2,866,901
Accounts and rents receivable	4,717,700	1,841,593
Prepaid expenses and sundry assets	455,131	433,395
Mortgages receivable (note 2)	20,816,316	13,362,053
Real estate under development (note 3)	15,658,587	24,006,100
Revenue producing real estate at cost less accumulated depreciation of $2,980,536; 1966 — $2,445,252	38,356,453	38,604,564
Investment in and advances to affiliated companies at cost	406,826	739,836
Furniture and equipment at cost less accumulated depreciation of $60,862; 1966 — $37,445	86,651	82,640
Debenture discount and financing expenses less amount amortized	106,579	233,955
Organization expenses less amount amortized	74,765	93,456
Cost of shares of subsidiaries in excess of book value	—	140,459
Total Assets	$85,184,666	$82,404,952

On behalf of the Board:

ALEX J. RUBIN, Director

WILLIAM P. WALKER, Director

Liabilities

	1967	1966
Bank indebtedness (note 4)	$ 2,131,997	$ 1,959,400
Accounts payable	8,079,651	7,079,644
Income taxes	150,000	—
Estimated cost to complete development of land sold	3,272,000	—
Mortgages on real estate under development and secured loans (note 5)	22,230,013	26,133,848
Mortgages on revenue producing real estate (note 6)	30,988,749	28,130,402
Loans from directors	—	39,229
6½% First Mortgage Sinking Fund Bonds, Series A, due August 1, 1983 (note 7)	—	1,405,000
6½% Sinking Fund Debentures, Series A, due November 15, 1973 (note 8)	2,190,000	2,250,000
6½% Sinking Fund Debentures, Series B, due June 1, 1977 (note 9)	1,410,000	1,590,000
Total Liabilities	$70,452,410	$68,587,523
Deferred Income taxes (note 10)	$ 980,000	$ 500,000

Shareholders' Equity

	1967	1966
Capital Stock (notes 11 to 14 inclusive)		
First Preference Shares		
Authorized — 70,175 Shares with a par value of $20 each, issuable in series; 1966 — 99,455 Shares		
Issued and fully paid —		
34,675 6½%, Cumulative, Redeemable, Convertible, Participating Shares, Series A; 1966 — 54,880 Shares	$ 693,500	$ 1,097,600
35,500 6½%, Cumulative, Redeemable, Convertible, Participating Shares, Series B; 1966 — 44,575 Shares	710,000	891,500
Second Preference Shares		
Authorized — 331,013 — 10/40, 6%, Cumulative, Redeemable Shares with a par value of $10 each; 1966 — 475,136 Shares		
Issued and fully paid — Nil; 1966 — 134,384 Shares	—	1,343,840
Common Shares		
Authorized — 2,553,680 Shares without par value; 1966 — 2,500,300 Shares		
Issued and fully paid — 1,399,520 Shares; 1966 — 1,293,890 Shares	7,422,963	6,552,762
	$ 8,826,463	$ 9,885,702
Retained Earnings	4,527,262	2,966,108
Contributed Surplus	—	20,700
Reserve for Second Preference Shares to be issued as stock dividends (note 13)	398,531	444,919
	$13,752,256	$13,317,429
	$85,184,666	$82,404,952

Consolidated Statement of Retained Earnings

year ended December 31, 1967 with 1966 comparisons

	1967	1966
Balance — January 1,	$2,966,108	$2,547,574
Add — Net income for the year	2,712,105	1,725,747
— Transfer of contributed Surplus	20,700	—
— Discount on purchase of 6½% First Mortgage Sinking Fund Bonds, Series A	9,930	–
— Discount on purchase of 6½% Sinking Fund Debentures, Series A and B	42,700	67,359
	$5,751,543	$4,340,680
Less — Dividends —		
First Preference Shares, Series A	$ 103,617	$ 109,762
First Preference Shares, Series B	82,825	76,950
Second Preference Shares	37,628	77,764
Common Shares	671,329	258,778
— Cost of shares of subsidiaries in excess of book value written off	140,459	—
— Amount transferred to capital stock to pay in full 64,694½ Second Preference Shares issued as stock dividends	—	646,945
— Unamortized discount and financing expenses re First Mortgage Sinking Fund Bonds, Series A, written off	113,528	—
— Amortization of organization and financing expenses	23,895	26,359
— Transfer to reserve for Second Preference Shares to be issued as stock dividends (note 13(d))	51,000	178,014
	$1,224,281	$1,374,572
Balance — December 31,	$4,527,262	$2,966,108

Consolidated Statement of Revenue and Expenditure

year ended December 31, 1967 with 1966 comparisons

	1967	1966
Revenue		
Sale of land and buildings	$49,037,521	$25,782,248
Rents from revenue producing real estate	4,940,744	5,056,295
Interest	868,322	780,899
Fees and other income	164,103	116,668
	$55,010,690	$31,736,110
Expenditure		
Cost of land and buildings	$43,734,911	$22,399,388
Property operating expenses	3,013,725	2,466,339
General and administrative expenses	1,001,848	997,411
Interest on loans and mortgages	2,926,752	2,541,499
Interest on debentures and first mortgage bonds	254,990	351,308
Depreciation (note 10)	736,359	754,418
	$51,668,585	$29,510,363
Income from Operations	$3,342,105	$ 2,225,747
Taxes on income — current	150,000	—
— deferred (note 10)	480,000	500,000
Net Income	$ 2,712,105	$ 1,725,747

Notes to Consolidated Financial Statements

December 31, 1967

1. Stock Split of Common Shares

Subsequent to December 31, 1967 the authorized and issued Common Shares were split on a two for one basis. All references to Common Shares in these notes are stated without giving effect to the stock split.

2. Mortgages Receivable—$20,816,316

These mortgages are classified as follows:

Mortgages on properties sold	$5,793,364
Mortgages on properties sold and leased back	4,681,905
Balances due under agreements for sale of land	9,763,361
Other mortgages	577,686

$19,757,674 of these mortgages are pledged to secure loans of $14,407,065 (note 5(b)). $240,000 of mortgages are subordinated to leases on properties sold and leased back. Balances due under agreements for sale of land result from sales where the Company agreed, as a condition, to develop the land to the stage at which construction can commence. In certain instances construction has commenced and in the opinion of management all conditions will be met with respect to the others.

3. Real Estate Under Development—$15,658,587

This consists of land held for development and construction costs for those projects under construction at balance sheet date. The land is recorded at cost, which includes carrying charges and development costs incurred since date of acquisition. Where the Company is a participant in a joint venture the consolidated financial statements include the Company's proportionate share of both the assets and liabilities pertaining to these ventures. Although the Company is liable for all of the obligations of the joint ventures, all of the assets of the joint ventures are available to satisfy the debts.

4. Bank Indebtedness—$2,131,997

$1,160,000 of this amount is secured by mortgage commitments or construction contracts on real estate under development; the balance of $971,997 is unsecured.

5. Mortgages on Real Estate Under Development and Secured Loans—$22,230,013

(a) Mortgages		$ 7,159,612
(b) Secured loans		
— secured by mortgages receivable (note 2)	$14,407,065	
— secured by other assets	179,000	14,586,065
(c) First mortgage advances re construction in progress		484,336

Mortgages include first mortgages, balances due with respect to land acquisitions and interim financing all of which are secured primarily on land. These obligations will be discharged out of the proceeds of first mortgage financing where construction is in progress or from the proceeds of sales. To the extent that properties remain undeveloped or unsold at the maturity date of such mortgages, the mortgages are, in the opinion of management, renewable at maturity on similar terms. Secured loans are also, in the opinion of management renewable at maturity on similar terms.

6. Mortgages on Revenue Producing Real Estate—$30,988,749

The mortgages bear interest at an average rate of 8.36% and mature at various dates over the next forty years. The mortgages are repayable as to principal approximately as follows:

Fiscal years ending December 31,	1968	$ 4,317,040
	1969	5,111,555
	1970	4,232,225
	1971	1,635,736
	1972	636,236
	1973	677,439
	1974	796,879
	1975	1,352,417
	1976	1,180,101
	1977	876,524
Subsequent to December 31,	1977	10,172,597

The principal repayments are based upon the amortization term of the mortgages and while certain mortgages fall due in advance of the full term of amortization, the Company's experience has shown that balances outstanding at the maturity date can be extended to the end of the amortization period upon similar terms. Short-term mortgages maturing in 1968 in the amount of $3,586,300, in 1969 in the amount of $4,322,500 and in 1970 in the amount of $3,301,300 are in the opinion of management, renewable at maturity on similar terms.

7. 6½% First Mortgage Sinking Fund Bonds, Series A

During the year the Company purchased for cancellation all of the outstanding bonds.

8. 6½% Sinking Fund Debentures,
Series A—$2,190,000

Pursuant to the Trust Deed for the Series A Debentures the Company covenanted to establish a Sinking Fund for the retirement of $50,000 aggregate principal amount of Series A Debentures on November 15 in each of the years 1962 to 1972 inclusive. The Series A Debentures when originally issued were accompanied by share purchase warrants entitling the registered holders thereof to purchase 100 Common Shares without par value in the capital of the Company in respect of each $1,000 principal amount of such Series A Debentures. Such share purchase warrants entitle the holders thereof to purchase Common Shares at $5 per Share if exercised on or before November 15, 1966, such price increasing thereafter by .25¢ per Share for each year commenced or elapsed from November 15, 1966 to the date of exercise provided that the said warrants will expire on November 15, 1973 or on the expiration of two years following the retirement of all such Debentures, whichever shall be earlier. Under the terms of the share purchase warrants, a warrant-holder is entitled to receive at the time he exercises his warrants, in addition to the Common Shares resulting from such exercise, stock dividends on each such Common Share equal to the aggregate of the stock dividends which would have been declared and paid on each such Common Share if it had been outstanding throughout the period from the date of such warrants, November 15, 1961, to the date of his exercise thereof.

9. 6½% Sinking Fund Debentures,
Series B—$1,410,000

Pursuant to the Trust Deed for the Series B Debentures, the Company covenanted to establish a Sinking Fund for the retirement of $40,000 aggregate principal amount of Series B Debentures on June 1 in each of the years 1966 to 1976 inclusive. The Series B Debentures when originally issued were accompanied by share purchase warrants entitling the registered holders thereof to purchase 50 Common Shares without par value in the capital of the Company in respect of each $1,000 principal amount of such Series B Debentures. Such share purchase warrants entitle the holders thereof to purchase Common Shares at $9 per share if exercised on or before June 1, 1969, thereafter at $11 per share if exercised on or before June 1, 1972, and thereafter at $13 per share if exercised on or before June 1, 1975.

10. Income Tax

The allowance for depreciation has been taken at the rate of 2½% per annum on the cost of the building portion of depreciable improvements to property, except for depreciation on property located in the U.S.A. where the rate is 2% per annum and on The Colonnade in Toronto where the rate of 1% per annum has been considered adequate to amortize the cost of the building over its estimated useful life. Depreciation on the equipment portion of depreciable improvements to property has been taken at the rate of 10% per annum. For income tax purposes, however, the Company and its subsidiaries propose to claim capital cost allowances on these assets at the maximum rates allowed under the Income Tax Act. Certain subsidiaries propose to claim, for income tax purposes, interest and other carrying costs which have been capitalized in the accounts as cost of real estate. For the foregoing reasons income tax otherwise payable has been reduced by $1,170,000 for the year and by an accumulated amount of $3,548,000 to December 31, 1967. Where mortgages were taken back on the sales of properties a portion of the income therefrom has been deferred for income tax purposes pursuant to provisions of the Income Tax Act permitting such deferment. To the extent that income taxes have been deferred for this reason the Company has provided for income taxes in the amount of $480,000 for the year and an accumulated amount of $980,000 to December 31, 1967.

11. 6½% Cumulative, Redeemable, Convertible, Participating, First Preference Shares,
Series A—$693,500

In accordance with the provisions attaching to the First Preference Shares, Series A, so long as any of the said Shares are outstanding, the Company shall on or before the 15th day of November, in each year, commencing with the year 1962, set aside as a purchase fund for the purchase of Series A First Preference Shares for cancellation the sum of $30,000 up to a maximum amount of the lesser of $90,000 or 15% of the aggregate par value of the Series A First Preference Shares outstanding on the 1st day of October in each year. A holder of Series A First Preference Shares, is entitled in respect of each such Share held to 30 votes at all meetings of the shareholders of the Company. A holder of Series A First Preference Shares is entitled to receive at the time he exercises his right of conversion, in addition to the Common Shares resulting from such conversion, stock dividends equal to the aggregate of the stock dividends which would have been declared and paid on each such Common Share if it had been outstanding from the date of the issuance of such Series A First Preference Shares. The Series A First Preference Shares are convertible into a maxi-

mum of 69,350 fully paid Common Shares without par value in the capital of the Company on the basis of two Common Shares for each Series A First Preference Share converted at any time up to and including November 15, 1969. During the year 20,205 Shares were converted into 40,410 Common Shares.

12. 6½% Cumulative, Redeemable, Convertible, Participating, First Preference Shares, Series B—$710,000

In accordance with the provisions attaching to the First Preference Shares, Series B, so long as any of the said Shares are outstanding, the Company shall on or before the 15th day of November, in each year, commencing with the year 1966, set aside as a purchase fund for the purchase of Series B First Preference Shares for cancellation the sum of $24,500 up to a maximum of the lesser of $73,500 or 15% of the aggregate par value of the Series B First Preference Shares outstanding on October 1 in each year. A holder of Series B First Preference Shares is entitled in respect of each share held to 30 votes at all meetings of the shareholders of the Company. The Series B First Preference Shares are convertible into a maximum of 71,000 fully paid Common Shares without par value in the capital of the Company on the basis of two Common Shares for each Series B First Preference Share converted at any time up to and including November 15, 1969. During the year 6,485 Shares were converted into 12,970 Common Shares, and 2,590 Shares were repurchased for the sum of $51,800.

13. Second Preference Shares

During the year the Company:

(a) redeemed 134,384 of the Second Preference Shares, being all of the Shares issued and outstanding at December 31, 1966.

(b) Issued and redeemed 2,512 20/40 Second Preference Shares which were reserved for issuance as dividends in accordance with the provision relating to stock dividends referred to in note 8 upon the exercise of share purchase warrants.

(c) Issued and redeemed 5,051 10/40 Second Preference Shares which were reserved for issuance as dividends in accordance with the provision relating to stock dividends referred to in note 11 upon the conversion of Series A First Preference Shares into Common Shares.

(d) Reserved 5,100 Second Preference Shares with respect to Common Shares to be issued pursuant to stock options granted to employees. Of this amount 2,175 Shares were issued and redeemed.

14. Common Shares

(a) 396,925 Shares are reserved for issue as follows:

Pursuant to share purchase warrants referred to in notes 8 and 9	317,925 Shares
Pursuant to employees' stock options and the agreement with an officer (see below)	79,000 Shares

(b) 105, 630 Shares were issued during the year for a total consideration of $870,200 resulting from:

Conversion of Series A and Series B Preference Shares	53,380 Shares
Exercise of share purchase warrants	28,250 Shares
Exercise by employees of stock options and the sale to an officer of shares	24,000 Shares

(c) The Company has granted options to employees as follows:

Number of Shares	Price per Share	Number of Shares exercisable per annum	Expiry date	Options unexercised
3,000	$ 6.53	1,000	June 1, 1972	3,000
15,000	7.50	3,000	October 4, 1975	6,000
5,000	6.53	1,000	June 1, 1976	5,000
2,500	10.80	500	October 10, 1977	2,500
17,500	11.60	3,500	November 28, 1977	17,500

(d) The Company has agreed to sell Shares to an officer as follows:

(a) 25,000 Shares at $6.00 each at the rate of 5,000 Shares each year for 5 years commencing May 14, 1963. 5,000 Shares have been taken up and paid for.

(b) 25,000 Shares at $12.875 each at the rate of 5,000 Shares each year for 5 years commencing May 14, 1968.

(e) The provisions attaching to the Series A and Series B Preference Shares contain restrictions on the payment of dividends on Common Shares.

15. Lease Obligations

Subsidiaries have sold and leased back certain properties and annual rental income from such properties is approximately equal to annual rents payable. Rents paid during the year on properties sold and leased back amounted to $1,838,750.
The subsidiaries have the right to terminate certain of

the leases upon payment of a specific amount relative to each such lease with the aggregate amount of such payments being $1,792,650. The following sets out the annual rents payable under leases in effect at December 31, 1967 and the annual amount of rent that would be payable if the subsidiaries exercised their rights to terminate leases.

Year	Approximate Annual Rents Payable	Approximate annual Rents payable if subsidiaries exercised rights to terminate leases
1968	$2,782,000	$882,000
1969	2,525,000	625,000
1970	2,313,000	414,000
1971-1976	2,138,000	238,000
1977-1978	2,107,000	207,000
1979	2,034,000	187,000
1980	1,711,000	—
1981	1,552,000	—
1982-1987	1,388,000	—
1988-1989	502,000	—
1990-1997	409,000	—

Rents are payable on long term land leases approximately as follows:

1968	188,000
1969-1993	166,000
1994-2019	154,000
2020-2060	133,000

16. Contingent Liabilities

A subsidiary has entered into agreements with respect to two properties sold and leased back giving the purchasers the right to sell the properties back to the subsidiary for the original purchase price less any reduction in the first mortgages on the properties between the date of purchase and the date of exercise of the option. In the event that the purchasers exercise such rights, the cash payments required to repurchase the properties aggregate $767,500.

17. Remuneration of directors and senior officers for the year totalled $257,739.

18. A statement of source and application of funds has been omitted because of the nature of the companies' operations.

To the shareholders

Revenue Properties Company Limited

We have examined the consolidated balance sheet of Revenue Properties Company Limited and its subsidiaries as at December 31, 1967 and the consolidated statements of revenue and expenditure and retained earnings for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at December 31, 1967 and the results of their operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Touche, Ross, Bailey & Smart
Chartered Accountants

Perlmutter, Orenstein, Giddens, Newman & Kofman
Chartered Accountants

Toronto, April 1, 1968.

Projects Under Development

(see map under back cover foldout for projects in the Metropolitan Toronto Planning Area).

Land Development Division
(residential only).

Representing a total of 2,194 acres in 13 separate market areas to be developed 1968-1971.

Market areas inside Metropolitan Toronto Planning Area.

North Cooksville
West Cooksville
Malton
North Bathurst Street
Scarborough (Meadowvale Gardens)

Market areas outside Metropolitan Toronto Planning Area (see map page 8).

Orangeville
Brampton (Peel Estates)
Guelph
Bowmanville
Barrie
Stratford
Stouffville
Acton

Total: 2,194 acres.

Sale Housing Division (see map page 8).

Representing 400 homes scheduled for completion in 1968 in the following market areas.

Acton
Orangeville
Fergus
Guelph
Barrie
Stratford

Total: 400 homes

Social Housing Division

Representing 2,985 units scheduled for completion in 1968-1969.

Bloomfield (Windsor) Phase 1 and Phase 2
Pelham Park Gardens
Yorkwoods Village Phase 5
Braeburn Woods Phase 4
Yonge — Charles — St. Marys Towers
Blake Street
Kennedy Road
Rochdale College

Total: 2,985 units

Rental Housing Division

Representing 2,100 units scheduled for completion 1968-1970.

Brookbanks
21 Windermere Avenue
Jane-Wilson

Total: 2,100 units

Industrial Division

Representing 10 industrial parks totaling 650 acres scheduled for completion 1968-1971 as follows:
Toronto — seven parks
Montreal — two parks (see map page 13)
Los Angeles — one park (see map page 13)

Total: 650 acres

Also 17 industrial buildings comprising over 814,000 square feet scheduled for completion in 1968.

Total: 814,000 square feet.

Urban Properties Inc. (see page 15)

Representing 4,129 units scheduled for completion 1968-1971 in the following projects.

East Hills, Phase 2, Pittsburgh, PA.
Liberty Park, Phase 1, Pittsburgh, PA.
Market Street West Development Area, New London, Conn.
Ellicot Redevelopment Area, Phase 2, Buffalo, N.Y.
Ellicot Redevelopment Area, Phase 3 and 4, Buffalo, N.Y.
East Hills, Phases 3 and 4, Pittsburgh, PA.
Liberty Park, Phase 2, Pittsburgh, PA.
Greenway Park, Pittsburgh, PA.

Total: 4,129 units.

Printed in Canada

Permanent Investment Portfolio

Industrial

The following represent a few of our industrial tenants:

Abitibi
A. P. Parts Corporation
Bell & Howell
Bell Telephone
Brace-Mueller Huntley
Bristol Myers
Canada Bread
Canadian Broadcasting Corporation
Canadian Imperial Bank of Commerce
Canadian Industries
Canadian Marconi
Canadian Motorola Electronics
Control Data
Diamond Alkali
Domtar
Fairbanks Morse
Farinon Electric
Garret Manufacturing
Gurney Products
Haminex
Hazel Bishop
J. I. Holcombe
I.T.E. Circuit Breaker
Johnson & Johnson
McCall Corporation
Mussens
Peugeot
Royal Electric
Reynolds Aluminum
Shell Oil
T. S. Simms
Southam-McLean
Studebaker
Texas Instruments
Timmins Aviation
Vendo

Total Floor Area 2,994,003 sq. ft.

Commercial

The Colonnade, Toronto
some of the tenants are:
Royal Bank
Harridges
Perry's (Colonnade) Men's Wear
Royal Worcester Porcelain
Classic Little Books
The Design Centre (Dept. of Public Works)

The Citadel Motor Inn — Halifax (40% owned)
Chateaux Plaza shopping Centre — Pittsburgh, Penn. U.S.A.
Four Shopping Centres — Western Canada
Two Service Centres (Shell & Supertest) — Toronto
Four Office Buildings — Toronto
Stevens House Shopping Arcade — Lancaster, Penn. U.S.A.
Washington Towers — Reading, Penn. U.S.A.

Total Floor Area—729,912 sq. ft.

Residential

The Colonnade — Toronto
Stevens House — Lancaster, Penn. U.S.A.
Brentwood Apartments — Halifax
Fountainbleu — Hamilton
Don Valley Woods — Toronto
Citadel Village — Toronto
Casa Blanca — Toronto
Yorkwoods Village — Toronto
Braeburn Woods — Toronto
Washington Towers—Reading, Penn. U S A.

Total No. of Suites—1,843



see map back cover foldout

Revenue Properties Company Limited

Head Office: 12 Sheppard Street, Toronto 1, Canada
Offices in: Toronto, Montreal, Pittsburgh, Los Angeles